



*The Blue Dog Coalition*



For Immediate Release  
Monday, February 2, 2004

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## BLUE DOGS HOWL OVER BUSH BUDGET

Washington, D.C. – The Blue Dog Coalition responded with disappointment and concern today regarding President Bush's \$2.4 trillion FY2005 budget. The Blue Dogs – 36 moderate and conservative Democrats that have a reputation in Washington as fiscal hawks – were most outraged by the ballooning deficit spending along with the administration's blatant disregard for fiscally responsible policies.

**“Our nation is being threatened with an economic perfect storm consisting of record deficits largely financed by foreign investors, large and growing trade deficits, and the approaching retirement of the baby boom generation,” explained Rep. Charlie Stenholm (TX), Blue Dog Co-Chair for Policy. “Unfortunately, the president’s budget fails to prepare our nation to deal with these economic dangers. His budget leaves our nation with large structural deficits that will be on the rise after the five year budget window used by OMB, just as the cost of the baby boom retirement hits.”**

The Blue Dogs list several major concerns with the president's proposed budget:

- **Never Ending Deficits** – The on-budget deficit for FY2004 will be \$675 billion and \$543 billion in FY2005 – the two largest deficit years in U.S. history. Hundred billion dollar deficits for as far as the eye can see and will be on the rise again in 2008, with a projected on-budget deficit of \$501 billion in 2009.
- **Ballooning National Debt** – The total national debt will increase \$1.575 trillion in FY2004 and FY2005 – the largest two year increase in U.S. history – and the national debt will exceed \$10 trillion early in 2009. Additionally, Congress will need to increase the debt limit for the third consecutive year.
- **Iraq Funding Not Included** – The president fails to include any spending for troops in Iraq and Afghanistan in the budget. We should make it clear to the troops stationed overseas on 12-month rotations that we will provide the resources they need rather than playing games with the budget.
- **Leaving out Alternative Minimum Tax (AMT) Relief** – The Bush budget extends AMT for only one year, allowing it to expire at the close of 2005, resulting in a tax

increase on millions of middle class families. In their fall 2003 letter to the Blue Dog Coalition, the Congressional Budget Office estimated that extending the AMT relief enacted in 2003 would cost \$164 billion from 2006-2009 and \$60 billion in 2009 alone. If the president had included these figures, the projected deficit in 2009 would have exceeded \$300 billion.

- **The Five-Year Outlook** – The Bush budget pulls a slight-of-hand by using only a five year window. In the second five years, the costs of making the tax cuts permanent will again cause rising deficits just as the costs of the baby boom start to hit

While initially pleased that the president advocated the long held Blue Dog position of reinstating discretionary spending limits and PAYGO rules, the Coalition was disappointed to learn that the Bush Budget omits tax legislation from these guidelines. The only common sense way to restore fiscal discipline is to apply budget rules to all legislation that would increase the deficit.

**“The Blue Dog Coalition has been a long-time proponent of budget enforcement legislation – the idea that Congress and the President should first do no harm by not making the deficit worse,”** stated Rep. Jim Matheson (UT), Co-Chair of the Blue Dog Budget Task Force. **“If we are going to restore much needed fiscal discipline to Washington, we must apply budget rules to all legislation that would increase the deficit.”**

Budget analysts say the administration’s five-year goal of reducing the deficits glosses over the much bigger fiscal gap that looms throughout the next 10 years. The huge upward recalculation of costs for the new Medicare law has little effect in the first five years, because the new drug benefits do not become available until 2006. The same is true of President Bush’s proposal to make his tax cuts permanent. The cost would be more than \$1.2 trillion over 10 years, but most of that would come at the end of this decade – long after the president has left Washington.

**“The bottom line is that this budget shows hundred billion dollar deficits through 2009, with deficits likely on the rise beyond. This president’s policies will leave us with deficit spending for a generation,”** explained Rep. Dennis Moore (KS), Blue Dog Whip and member of the House Budget Committee. **“If we continue to ignore the long term consequences of our budgetary actions, we will be forcing our children and grandchildren to pay a steep price for the deficits we create today.”**